

Review: David Willetts: The Pinch. How the baby boomers took their children's future - and why they should give it back

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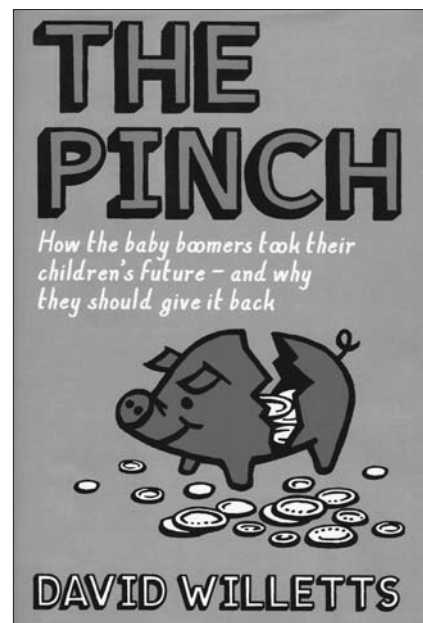
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David Willetts: The Pinch. How the baby boomers took their children's future – and why they should give it back

Reviewed by Raphaele Schwarzborg

David Willetts' book *The Pinch* could have hardly been published more timely. The context of the current euro-zone crisis over debt management and the election of David Cameron to the office of Prime Minister in the United Kingdom, based on a programme of deficit reduction, have all drawn attention to the alleged excesses of older generations. As suggested by the subtitle, *How the baby boomers took their children's future - and why they should give it back*, the aim of the book is to explain the dues of different generations since the Second World War from a perspective of intergenerational cooperation and equity. This appears to be a novel justification for public policy, but it remains to be discussed how justified or convincing his argumentation is.

The main thesis of the book reads as follows: as a very large generation, the baby boomers (individuals born between 1945 and 1965) have benefited from an exceptional situation. However, that position does and will impose strains on the younger generations' well-being, a situation that is unfair. Not only do the baby boomers dominate culturally, through their power as an extremely large consumption market, but they also have concentrated extravagant amounts of wealth and property in the UK. According to Willetts, they own £3.5 trillion of the wealth of the country out of a total of £6.7 trillion (p. 76). They have mismanaged these assets, for example by a lack of savings in the private sector and unscrupulous investment in the housing bubble. This behaviour has limited the younger generations' capacity to acquire and accumulate. Soon, baby boomers could be imposing their political and economic agendas, especially with respect to pensions and health care spending through democratic votes. Gerontocracy would penalize the youngest by favouring state redistribution towards seniors. Quoted by Willetts, projections based on data by the HM Treasury indicate that age-related spending would increase by £60 billion in today's money, that is a 4.9 percentage points increase of 2007/08 GDP within forty years



(p.164). In other terms, according to the HM Treasury: "The share of age-related spending is therefore projected to increase from around half of total government spending in 2007-08 to around 60 per cent by 2057-58." (p. 39) These figures remain much below those of other European countries such as France or Germany (p. 41). Still, such a growth of public spending could only be met by raising further taxes according to Willetts: "That would mean tax increases just to carry on delivering programmes which don't change to a population which does. This is a heavy burden for the young generation to bear as they go through their working lives" (p. 165). Based on a 2004-publication by Hills, the baby boomers are expected to receive 18 percent more from the welfare state than they have contributed (p. 162).

What Willetts considers the appropriate level of intergenerational transfers and the main arguments supporting such transfers are explored in chapter 5 'The Social Contract', through both concepts of direct and indirect reciprocity between three generations: grandparents, parents and children. In that chapter, Willetts provides a three-fold support for transfers between generations. These three accounts of intergenerational justice are, however, not always compatible

and consistent with each other, especially given their justifications and implications. The first is a naturalized account of cooperation with biological arguments (neurobiology, Dawkins' selfish gene). The second models cooperation between rational and self-interested agents (game theory). The third is a watered-down Rawlsian contractualist theory. Willetts concludes his reasoning by underlining the centrality of the family to uphold such transfers, thereby echoing the first chapter (discussed below). Around this main argument, Willetts discusses the reasons why the boomers became such an unprecedented generation, including: ultra-individualism, the permissiveness of society, the deregulation of the labour market that allowed access to women and foreigners. The result of these changes is, according to him, an increasingly wasteful disposal of society's resources. The transformation of the family structure (i.e. ever smaller households) has also resulted in more inequality. Increased investment in family ties, including more time devoted to infants but not adolescents, runs parallel with the decline in civic participation, a situation that Willetts greatly deplores following authors like Robert D. Putnam. In chapter 10, Willetts considers that the decrease of social mobility fosters social inequality. Schooling segregation and the importance of "soft skills" restrain the opportunities of the most disadvantaged. Changing admission rules, providing adequate training and more information are the solutions envisaged by the author. Accession to the housing market by younger generations has also been particularly difficult with the housing boom, which has left them repaying extravagant mortgages (chapter 11). In addition to the financial and investment mistakes committed by the boomers, Willetts recognizes that other factors also explain the difficulties faced by the younger generations including greater competition on the labour market (resulting from globalisation) and low inflation rates. The age segregation at each stage of life would also have prevented the baby boomers from realising the difficulties that the younger generations

encounter.

Willetts also discusses the environmental challenges (chapter 7) facing the not-so distant future generations. There, the author's aim is to make the reader aware of the necessity to adopt a more adequate social discount rate so as to value the future better. This is particularly crucial because future generations will not necessarily be as well off or even better off than current generations given the economic and scientific uncertainties awaiting them within the next forty years.

Willetts' eminent political position, formerly as Shadow Minister for Universities and Skills and now Minister of State for Universities and Science in the UK government, will undoubtedly participate into bringing to the fore of the public debate the issues of intergenerational justice. The richness of sources, the variety of disciplines and themes referred to provide the reader with cutting-edge academic research. We will now try to address the following problematic questions:

- 1) What are the baby boomers responsible for?
- 2) What issues of fairness and equality has the accession of women to the labour market raised?
- 3) What role does 'British uniqueness' play in Willetts' argumentation?
- 4) How does Willetts ground intergenerational obligations?

- 1) What are the baby boomers responsible for?

According to Willetts, "The charge is that the boomers have been guilty of a monumental failure to protect the interests of future generations." (p. xv) However the responsibility of the boomers in this failure is not always clear from the book. Baby boomers are sometimes accused of having taken advantage of their position because of selfish behaviour or of belonging to a very large generation that will thus necessarily dominate smaller generations. They are also considered as capable of abusing their power in the future through gerontocratic behaviour. Alternatively, the bad luck of more recent generations is sometimes attributed to the policies chosen by and benefiting the baby boomers or to the lack of awareness of the baby boomers with regards to the difficulties facing younger generations because of age segregation. The extent to which baby boomers are obligated to younger generations should reflect on how baby boomers can be considered *responsible* for the position the

younger generations is in. However, this is a discussion Willetts shies away from.

The responsibility of the baby boomers is hinted at by Willetts when he discusses lack of private savings (p. 80), unreasonable housing investment (pp. 80 and 255) and the use of financial instruments (pp. 144-5) which are not based on the 'real' economy. "We have either borrowed against the house already or we expect to finance our retirement by borrowing against it in future. And where does this money that we thought we had come from? From our children." (p. 80) Studies on a selection of European countries suggest that the determinants of private savings are multiple, positively affected by "changes in dependency ratio, old-age dependency ratio, government budget constraint, growth of real disposable income, real interest rate and inflation and negatively by the liquidity constraint. The results suggest that deregulation of capital markets resulted in a decrease of private saving while the existing financial pressure on social security systems resulted in an increase of private saving" (Hondroyannis, 2006: 565). Thus, while Willetts seems vindicated in that the deregulation of capital markets is negatively associated with lower savings, such policies are not just a matter of individual behaviour but also of responsible policy making. The focus of Willetts' book is, however, purely centred on the baby boomers as individuals. Such a criticism also applies to Willetts' take on the financial markets, which are now known to have lacked sufficient regulation to avoid numerous malpractices. Second, baby boomers may not be purely short-sighted. Studies such as that of Hondroyannis (2006) observe a positive correlation between demographic factors (aging) and private savings. This effect needs to be discussed for the most recent years for the UK. Third, Willetts suggests that the housing boom was crucial in the reduction of savings, thereby imperilling the future of coming generations: "The rise in asset prices in the last past decade made us feel richer but it favoured the possessors, the baby boomers. (...) This delivered a temporary boost in their living standards financed by a massive reduction in saving and imposed higher costs on the next generation, who have less to inherit. It will be the younger generation who pay the price" (p. 255). It remains to be outlined by Willetts the extent to which the housing boom was limited to specific well-off sections of the baby boomers and the level to which they are the main assets that

are transferred by the baby boomers to their children. Transfers during the lifetime between the generations remain to be assessed. The responsibility of the baby boomers is however questioned by the argument that 'large generations' will automatically benefit from their size. Firstly, it seems implausible to accuse the baby boomers of being a large generation. They have not chosen to belong to such a generation. Secondly, it remains to be discussed whether large generations necessarily benefit from their size. While the boomers are to receive 18 percent more from the welfare state than they have contributed to, the generation preceding the boomers will have obtained between 15 to 22 percent more. Willetts defends the thesis that large generations benefit from their size per se through a model of hunters-gatherers in a closed economy without possible productivity gains for the younger generation. These assumptions are, however, highly restrictive: an upsurge in the productivity of the younger generations would allow them to avoid the poverty they are doomed to in Willetts' model. Empirically, it remains to be argued whether it is size or the conjunction of a large number of economic factors that resulted in the current economic position of the boomers. Accordingly, a study by Slack and Jensen (2007: 729) on the United States shows that "the odds of underemployment to be greatest among members of relatively large cohorts, net of other significant predictors. The results also show that the impact of relative cohort size differs by educational level, suggesting that adverse economic conditions produced by large cohort size can be offset by broader changes in the labor market and other social institutions." A similar analysis for the United Kingdom would prove most useful. As shown by Chauvel (2010) the effect of the institutional setting (type of welfare state) on the success of different generations (for example on the labour market) is important. Finally, a theoretical discussion is needed to assess the obligations of different generations in the context of population change, a question that Gosseries (2010) suggests could be crucial. Thus, it is not even clear that responsibility can be attributed where the supposed culpable actions are not intentional or simply determined.

Suggesting that the baby boomers could abuse their position because of their demographic weight to their sole benefit as they get older is premature. There is an important academic debate on whether population

aging leads to more favourable elderly-centred and elderly-intensive services. Following Tepe and Vanhuysse (2009) it seems important to distinguish the two ways in which overall age-related spending can increase when a large generation is retiring: "But since population aging increases the 'objective' need for pension spending, even a governor who does not confront any electoral pressures would also increase overall pension spending because *any* pension system based on open-ended statutory entitlements will, *ceteris paribus*, lead to increased aggregate expenditure as the number of older people qualified to draw pensions increases. What makes theories of gerontocracy noteworthy is their prediction that population aging significantly affects the generosity of *individual* pensions" [Emphasis in original] (p. 3).

At the European level, results are mixed: Kohli (2010) considers that "the likelihood of gerontocracy is low and support for the public generational contract is still broad among all age groups" (p. 184). On the other hand, Bonoli and Hausermann (2010) found that age was a good predictor of voting behaviour on intergenerational issues in Switzerland and a study on Germany by Wilkoszewski (2009) finds evidence that the stage of the life cycle and age have a strong effect on support for public policies of transfers and on altruism within the family, for example between grandparents and grandchildren. Tepe and Vanhuysse's study on 18 Western countries (2009) demonstrates that while overall spending increases, per pensioner generosity has frozen or hardly increased between 1980 and 2002, thereby giving

more credence to the 'fiscal leakage' hypothesis. Retrenchment patterns have even been witnessed between 1996 and 2002. Thus, the most recent scientific evidence is mixed and should temper the vision proposed by Willetts of the "voting power" (p. 250) of this big cohort. At the same time, the existence of a party for the rights of the elderly, the Senior Citizens Party in the United-Kingdom founded in 2004, may warn us that previous studies were not adapted to describe the large demographic changes that will occur within the next decades.

2) What issues of fairness and equality has the accession of women to the labour market raised?

According to Willetts, access to higher education, especially for women, is an explana-

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tory factor for increasing social inequalities: “The expansion of women’s educational opportunities and women’s earnings has opened up an even greater gap between the well-off households and poor households. The tendency for well-paid, well-educated men and well-paid, well-educated women to marry is one reason why we have a more unequal and less mobile society. (...) No one could possibly wish to reverse these new opportunities for women. But it looks as if increasing equality between the sexes has meant increasing inequality between social classes. Feminism has trumped egalitarianism.” (p. 208). The newly acquired independence of women is, according to Willetts, imposing new costs on society. Women no longer remain in unsatisfactory relationships because of economic dependency, so households become more fragile (p. 42). In addition, due to their longer life expectancy, women represent a larger share of pension spending according to Willetts: “Men get more per person from, for example, the contributory state pension, but as there are many fewer men than women pensioners, the total pensions budget is still skewed towards women - 62 per cent of pension spending goes to women” (p. 159).

The study referred to by Willetts (Blanden, Goodman, Gregg and Machin, 2002) however, must be taken cautiously given that gender differences are not explicitly the main focus of their study. Daughters from wealthy backgrounds have benefited from access to higher education, thereby moving their socio-economic status closer to that of their parents. However, this only brought these women to the level already attained by men of wealthy backgrounds. What is observed, according to a report by Bellamy and Rake (2005) is that “there is now as much economic inequality among women as between women and men.” Framing the discussion as Willetts does implicitly makes women the focus of criticism. The fact is that the market had to undergo structural change to become less unjust.

On the labour market, women are still at a disadvantage with men, at all levels of the income scale. In Britain, the wage gap for women is on average of 24.6 percent (with in the public sector in the tenth percentile a wage gap of 21.3 percent and in the private sector in the ninetieth percentile a wage gap of 31.1 percent) (Arulampalam, Booth and Bryan, 2007). It has been argued that they still face a wage ceiling. Due to the still pre-

dominating model of gendered provision of care, “[w]omen are seven times more likely than men to be out of employment as a result of family responsibilities.” (Bellamy and Rake, 2005). For the Fawcett Society, “[p]overty in the UK has a female face.” (Fawcett Society, 2010).

Although women may be living longer, they are also at a much greater risk of old age poverty, as has been analysed by Falkingham and Rake (2000). The gender wage gap implies that they have much lower earning profiles over their working lives. Their working patterns are interrupted more frequently due to the gendered duties of care, with substantial impact on their pensions. They often work in activities with fewer occupational pensions. Finally, their longevity renders them more vulnerable to the erosion, through inflation, of the pension’s value. Willetts’ book unfortunately does not recognise the difficulties and challenges faced by women. The opposition of women to the poorer classes seems unfair.

3) What role does ‘British uniqueness’ play in Willetts’ argumentation?

In the first chapter, Willetts draws out the specificity and long-standing pre-modern features of the English family structure as nuclear families. Such features include: consensual marriage, low fertility, inegalitarian inheritance and early departure of the children for training. Claiming that such a model existed since the thirteenth century, we are unfortunately only provided with seventeenth century evidence. Although Willetts claims such traits are unique to British society, it is well-documented that similar patterns existed in the Low Countries and possibly spread at a later date to other countries in northwestern Europe. Though Willetts gives quiet acknowledgement of this, he fails to appropriately temper his subsequent claims. Seventeenth century figures clearly show a similar low fertility rate and late age at marriage across many Western European areas (Voth and Voigtlaender, 2008). With respect to inheritance, will analysis of the seventeenth century seems to indicate that, even if the nobility still practised this inegalitarian division of inheritance, this was not necessarily the case for craftsmen or individuals in mercantile activities (Ben-Amos, 2008).

The specificity of this family structure is used by Willetts to make several bold claims about the British economy and society both today and in the past such as: the greater li-

kelihood to trade and barter, greater mobility, the greater reliance on institutions such as the guilds or civic institutions, the promotion of liberal political institutions or the development of financial services. These claims are problematic, as Willetts does not explain why the ‘acquisitive’ individuals forming households and contracting on the labour markets, supported by national government and law, would need to rely on communal institutions. In addition to the necessity to differentiate between guilds, clubs and civil networks, which did not have the same purposes and probably not the same influence on households, it is useful to remember that guilds membership was limited to a small number of people. Financial services were also certainly not invented in the United Kingdom, and were not very extensive by the thirteenth century. Banking techniques were highly developed in Italy where the family structure was, as acknowledged by Willetts, different. The possible mechanisms between family structures and economic growth are still unclear and it is problematic to argue that they were the main underlying reason for the Industrial Revolution. The exceptionality of the English economic features before the industrial revolution are much debated, especially in comparative work with the Netherlands (Van Zanden, 2002), the latter being called the “first modern economy” by De Vries and Van der Woude. Finally, the positive effect of the family structure in Britain onto its economy is then hastily applied to the economic position of what Willetts calls the Anglosphere in today’s world.

Overall, the first chapter on Britishness and the distinctiveness of the economic and social structure of this society will undoubtedly appear to the reader as politically motivated claims. Published during an election campaign, the book seems to be aiming at providing a certain vision of Britain. Loosely related with the discussion on the baby boomers, it does not explain why smaller families proved beneficial in the pre-modern era and are now the source of a wasteful use of resources. In absence of clear criteria and descriptive mechanisms, the testability of such claims is impossible.

4) How does Willetts ground intergenerational obligations?

One of Willetts’ principal aims is to motivate an intuitive understanding of the need for justice between generations. However, there are many hurdles in his use of so many

different theories to appeal to intergenerational justice. With respect to game theoretical models (pp. 93-6), they have been shown to not always be an adequate foundation for cooperation between rational agents. On the contrary, the rational strategy can be defection, as exemplified in the prisoner's dilemma. While some of these game theoretical models (such as repetitive games) can under certain conditions explain how agents arrive at self-enforcing contracts and reputation effects, we can only imagine such games with *overlapping* age groups, a considerable restriction to their application. Indeed, such models require enforcement mechanisms which are not available to non-overlapping generations. With respect to Rawls' theory, it is worth noticing that Rawls' position changed on how to appropriately envisage the original position in the intergenerational context. In the model where he considers that the representatives "should care about the well-being of those in the next generations", he clearly states that "it is not necessary to think of the parties as heads of families, although I shall generally follow this interpretation." (1971, p.128) Willetts' claim about the centrality of the family to ground intergenerational justice through use of a Rawlsian analysis is thus problematic. Furthermore, in *Justice as Fairness: A Restatement*, Rawls (2001) clarifies his theory towards the impartiality of the moral agent: "The correct principle, then, is one the members of any generation (and so all generations) would adopt as the principle they would want preceding generations to have followed, no matter how far back in time." (p. 160). Willetts' literal understanding of "heads of households" is an unfair reflection of Rawls' heuristic usage.

Willetts shuffles a very large number of disciplines and distinct theories, providing the reader with a lively and original account of the economic and social situation we find ourselves in today. Not an academic work, despite extensive reference to the most up-to-date literature, the presence of the political man behind the nib can be easily detected. One may regret that the precision and rigour of the argument's gist is sometimes lost to eloquence and verve, but that will appeal to the reader who does not wish to read the austere studies underpinning this work. We will now have high expectations about how Willetts intends to resolve all such challenges in his new position of Minister for Universities and Science in the United Kingdom government.

Willetts, David (2010): *The Pinch. How the baby boomers took their children's future - and why they should give it back.* London: Atlantic Books. 336 pages. ISBN: 978 1 84887 231 8. Price: £18.99.

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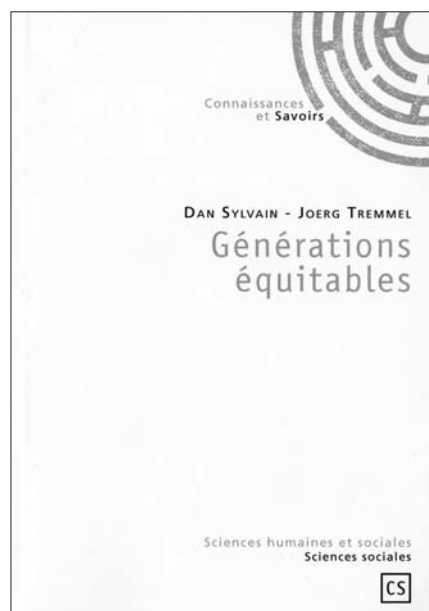
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Dan Sylvain and Joerg Tremmel (eds.): Généralions Equitables

Reviewed by Raphaëlle Schwarzberg

Généralions Equitables represents a very welcome francophone perspective on the topic of intergenerational justice. The context of an aging European population, consisting largely of baby boomers, coupled with the threat of climate change, appears as the general backdrop of the book, bringing such issues to the fore in the political and academic debate. The articles, from philosophers, economists, demographers and jurists, broadly fall within three main areas of focus. One is concerned with the theoretical challenges of intergenerational justice, a field dominated by the work of Rawls. Another centres around environmental affairs and cultural heritage discussed through case studies both from legal and economics perspectives. The third analyses the consequences of demographic changes, and more specifically population aging, on intergenerational social policy, with a greater focus on current pensions schemes. This very wide-ranging topic thus benefits from being considered by a large array of disciplines and from different and complementing angles. While the articles have clearly not been made available to the authors before publication, this could be a blessing in disguise for the reader; the independence of each of these articles makes divisions and conflicting opinions more salient.

The article by Professor Van Parijs presents a large number of theoretical issues also discussed in the articles concerned with intergenerational social policy. To examine the demands of intergenerational justice Van Parijs considers first, justice between cohorts and thus the question of “just heritage” and second, justice between age groups as envisaged through the question of “just transfers”. A non-utilitarian, Van Parijs is of the opinion that justice is not aiming at the maximisation of the well-being or happiness of individuals but to ensure “to all as much as possible (...) the rights and means allowing them to pursue



the realization of their conception of what a successful life is” (p. 42). His conception of justice relies on the “lexicographic maximin”. It follows that the heritage that a cohort should leave to the next is not one in which the latter receives exactly the same stock of natural resources but one in which it inherits a “productive potential” at least as high as the one the former generation had received. It is thus indispensable that generations invest sufficiently and foster technical progress to preserve the productive potential necessary for the future to be in a position to “promote the real liberty of the least well-off within itself” (p. 49).

With respect to justice among age groups, Van Parijs underlines that two major difficulties in the theory of commutative justice are that it does not specify any minimal level of transfer and is sensitive to life expectancy in a counter-intuitive way. Van Parijs seems to be more favourable to indirect reciprocity. If the productive potential increases or decreases for an age group, the surplus or the deficit should be proportionally born by all, under the constraint of maintaining subsistence for all. The solution to the current pension system crisis

resulting from demographic change lies in the increase of the productive potential for the future generation such as partly financing pensions through capitalization, but also greater investments in infrastructures, R&D and training. In his conclusion, Van Parijs suggests that a coexistence of the demands of intergenerational justice between cohorts and between age groups implies “an obligation of the financing of a basic pension at the appropriate normative level” (p. 59). Thus, “[w]hat matters from the perspective of justice, is the absolute level of basic revenue in each age group and the potential left for each cohort of adults to the next so as to fulfil its obligations.” He can consequently conclude that the benefit ratios are particularly inappropriate as a method of discussing intergenerational justice. Unfortunately, it is not always obvious how Van Parijs reconciles justice between generations and justice between age groups. One other problem is the absence of a criterion to define when the demands of justice start and end for each age group as the model does not allow progression of the adult age group through time. Besides, the author does not explain how the demand from current generations to bequest an at least as high productive potential could constrain the demand to ensure to all and as much as possible the rights and means allowing them to pursue the realization of their conception of what a successful life is.

Professor Bichot’s article on pensions contests the use of indirect reciprocity to evaluate the dues and payments that each age group should receive from and provide others with. Citing a study by Marcilhacy (2009) aimed at assessing the level of reciprocal transfers, he evaluates that the benefits and expenses devoted to younger generations (infants and children) are much larger than what pensioners will receive from them by a ratio possibly as high as four. The benefits that are taken into account to calculate what children have received from their parents seems however re-